

HB2897



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB2897

Introduced 2/6/2025, by Rep. Matt Hanson

SYNOPSIS AS INTRODUCED:

35 ILCS 5/901

Amends the Illinois Income Tax Act. Provides that, beginning July 1, 2025, the Department of Revenue shall deposit 10% of the net revenue realized from the income taxes imposed under the Act directly into the Local Government Distributive Fund as that revenue is realized. Effective immediately.

LRB104 11461 HLH 21549 b

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Section 901 as follows:

6 (35 ILCS 5/901)

7 Sec. 901. Collection authority.

8 (a) In general. The Department shall collect the taxes
9 imposed by this Act. The Department shall collect certified
10 past due child support amounts under Section 2505-650 of the
11 Department of Revenue Law of the Civil Administrative Code of
12 Illinois. Except as provided in subsections (b), (c), (e),
13 (f), (g), and (h) of this Section, money collected pursuant to
14 subsections (a) and (b) of Section 201 of this Act shall be
15 paid into the General Revenue Fund in the State treasury;
16 money collected pursuant to subsections (c) and (d) of Section
17 201 of this Act shall be paid into the Personal Property Tax
18 Replacement Fund, a special fund in the State Treasury; and
19 money collected under Section 2505-650 of the Department of
20 Revenue Law of the Civil Administrative Code of Illinois shall
21 be paid into the Child Support Enforcement Trust Fund, a
22 special fund outside the State Treasury, or to the State
23 Disbursement Unit established under Section 10-26 of the

1 Illinois Public Aid Code, as directed by the Department of
2 Healthcare and Family Services.

3 (b) Local Government Distributive Fund. Beginning August
4 1, 2017 and continuing through July 31, 2022, the Treasurer
5 shall transfer each month from the General Revenue Fund to the
6 Local Government Distributive Fund an amount equal to the sum
7 of: (i) 6.06% (10% of the ratio of the 3% individual income tax
8 rate prior to 2011 to the 4.95% individual income tax rate
9 after July 1, 2017) of the net revenue realized from the tax
10 imposed by subsections (a) and (b) of Section 201 of this Act
11 upon individuals, trusts, and estates during the preceding
12 month; (ii) 6.85% (10% of the ratio of the 4.8% corporate
13 income tax rate prior to 2011 to the 7% corporate income tax
14 rate after July 1, 2017) of the net revenue realized from the
15 tax imposed by subsections (a) and (b) of Section 201 of this
16 Act upon corporations during the preceding month; and (iii)
17 beginning February 1, 2022, 6.06% of the net revenue realized
18 from the tax imposed by subsection (p) of Section 201 of this
19 Act upon electing pass-through entities.

20 Beginning August 1, 2022 and continuing through July 31,
21 2023, the Treasurer shall transfer each month from the General
22 Revenue Fund to the Local Government Distributive Fund an
23 amount equal to the sum of: (i) 6.16% of the net revenue
24 realized from the tax imposed by subsections (a) and (b) of
25 Section 201 of this Act upon individuals, trusts, and estates
26 during the preceding month; (ii) 6.85% of the net revenue

1 realized from the tax imposed by subsections (a) and (b) of
2 Section 201 of this Act upon corporations during the preceding
3 month; and (iii) 6.16% of the net revenue realized from the tax
4 imposed by subsection (p) of Section 201 of this Act upon
5 electing pass-through entities.

6 Beginning August 1, 2023 and continuing through June 30,
7 2025, the Treasurer shall transfer each month from the General
8 Revenue Fund to the Local Government Distributive Fund an
9 amount equal to the sum of: (i) 6.47% of the net revenue
10 realized from the tax imposed by subsections (a) and (b) of
11 Section 201 of this Act upon individuals, trusts, and estates
12 during the preceding month; (ii) 6.85% of the net revenue
13 realized from the tax imposed by subsections (a) and (b) of
14 Section 201 of this Act upon corporations during the preceding
15 month; and (iii) 6.47% of the net revenue realized from the tax
16 imposed by subsection (p) of Section 201 of this Act upon
17 electing pass-through entities.

18 Beginning July 1, 2025, the Department shall deposit 10%
19 of the net revenue realized from the taxes imposed by
20 subsections (a), (b), and (p) of Section 201 directly into the
21 Local Government Distributive Fund as that revenue is
22 realized.

23 Net revenue realized for a month shall be defined as the
24 revenue from the tax imposed by subsections (a) and (b) of
25 Section 201 of this Act which is deposited into the General
26 Revenue Fund, the Education Assistance Fund, the Income Tax

1 Surcharge Local Government Distributive Fund, the Fund for the
2 Advancement of Education, and the Commitment to Human Services
3 Fund during the month minus the amount paid out of the General
4 Revenue Fund in State warrants during that same month as
5 refunds to taxpayers for overpayment of liability under the
6 tax imposed by subsections (a) and (b) of Section 201 of this
7 Act.

8 Notwithstanding any provision of law to the contrary,
9 beginning on July 6, 2017 (the effective date of Public Act
10 100-23), those amounts required under this subsection (b) to
11 be transferred by the Treasurer into the Local Government
12 Distributive Fund from the General Revenue Fund shall be
13 directly deposited into the Local Government Distributive Fund
14 as the revenue is realized from the tax imposed by subsections
15 (a) and (b) of Section 201 of this Act.

16 (c) Deposits Into Income Tax Refund Fund.

17 (1) Beginning on January 1, 1989 and thereafter, the
18 Department shall deposit a percentage of the amounts
19 collected pursuant to subsections (a) and (b)(1), (2), and
20 (3) of Section 201 of this Act into a fund in the State
21 treasury known as the Income Tax Refund Fund. Beginning
22 with State fiscal year 1990 and for each fiscal year
23 thereafter, the percentage deposited into the Income Tax
24 Refund Fund during a fiscal year shall be the Annual
25 Percentage. For fiscal year 2011, the Annual Percentage
26 shall be 8.75%. For fiscal year 2012, the Annual

1 Percentage shall be 8.75%. For fiscal year 2013, the
2 Annual Percentage shall be 9.75%. For fiscal year 2014,
3 the Annual Percentage shall be 9.5%. For fiscal year 2015,
4 the Annual Percentage shall be 10%. For fiscal year 2018,
5 the Annual Percentage shall be 9.8%. For fiscal year 2019,
6 the Annual Percentage shall be 9.7%. For fiscal year 2020,
7 the Annual Percentage shall be 9.5%. For fiscal year 2021,
8 the Annual Percentage shall be 9%. For fiscal year 2022,
9 the Annual Percentage shall be 9.25%. For fiscal year
10 2023, the Annual Percentage shall be 9.25%. For fiscal
11 year 2024, the Annual Percentage shall be 9.15%. For
12 fiscal year 2025, the Annual Percentage shall be 9.15%.
13 For all other fiscal years, the Annual Percentage shall be
14 calculated as a fraction, the numerator of which shall be
15 the amount of refunds approved for payment by the
16 Department during the preceding fiscal year as a result of
17 overpayment of tax liability under subsections (a) and
18 (b)(1), (2), and (3) of Section 201 of this Act plus the
19 amount of such refunds remaining approved but unpaid at
20 the end of the preceding fiscal year, minus the amounts
21 transferred into the Income Tax Refund Fund from the
22 Tobacco Settlement Recovery Fund, and the denominator of
23 which shall be the amounts which will be collected
24 pursuant to subsections (a) and (b)(1), (2), and (3) of
25 Section 201 of this Act during the preceding fiscal year;
26 except that in State fiscal year 2002, the Annual

1 Percentage shall in no event exceed 7.6%. The Director of
2 Revenue shall certify the Annual Percentage to the
3 Comptroller on the last business day of the fiscal year
4 immediately preceding the fiscal year for which it is to
5 be effective.

6 (2) Beginning on January 1, 1989 and thereafter, the
7 Department shall deposit a percentage of the amounts
8 collected pursuant to subsections (a) and (b)(6), (7), and
9 (8), (c) and (d) of Section 201 of this Act into a fund in
10 the State treasury known as the Income Tax Refund Fund.
11 Beginning with State fiscal year 1990 and for each fiscal
12 year thereafter, the percentage deposited into the Income
13 Tax Refund Fund during a fiscal year shall be the Annual
14 Percentage. For fiscal year 2011, the Annual Percentage
15 shall be 17.5%. For fiscal year 2012, the Annual
16 Percentage shall be 17.5%. For fiscal year 2013, the
17 Annual Percentage shall be 14%. For fiscal year 2014, the
18 Annual Percentage shall be 13.4%. For fiscal year 2015,
19 the Annual Percentage shall be 14%. For fiscal year 2018,
20 the Annual Percentage shall be 17.5%. For fiscal year
21 2019, the Annual Percentage shall be 15.5%. For fiscal
22 year 2020, the Annual Percentage shall be 14.25%. For
23 fiscal year 2021, the Annual Percentage shall be 14%. For
24 fiscal year 2022, the Annual Percentage shall be 15%. For
25 fiscal year 2023, the Annual Percentage shall be 14.5%.
26 For fiscal year 2024, the Annual Percentage shall be 14%.

1 For fiscal year 2025, the Annual Percentage shall be 14%.
2 For all other fiscal years, the Annual Percentage shall be
3 calculated as a fraction, the numerator of which shall be
4 the amount of refunds approved for payment by the
5 Department during the preceding fiscal year as a result of
6 overpayment of tax liability under subsections (a) and
7 (b) (6), (7), and (8), (c) and (d) of Section 201 of this
8 Act plus the amount of such refunds remaining approved but
9 unpaid at the end of the preceding fiscal year, and the
10 denominator of which shall be the amounts which will be
11 collected pursuant to subsections (a) and (b) (6), (7), and
12 (8), (c) and (d) of Section 201 of this Act during the
13 preceding fiscal year; except that in State fiscal year
14 2002, the Annual Percentage shall in no event exceed 23%.
15 The Director of Revenue shall certify the Annual
16 Percentage to the Comptroller on the last business day of
17 the fiscal year immediately preceding the fiscal year for
18 which it is to be effective.

19 (3) The Comptroller shall order transferred and the
20 Treasurer shall transfer from the Tobacco Settlement
21 Recovery Fund to the Income Tax Refund Fund (i)
22 \$35,000,000 in January, 2001, (ii) \$35,000,000 in January,
23 2002, and (iii) \$35,000,000 in January, 2003.

24 (d) Expenditures from Income Tax Refund Fund.

25 (1) Beginning January 1, 1989, money in the Income Tax
26 Refund Fund shall be expended exclusively for the purpose

1 of paying refunds resulting from overpayment of tax
2 liability under Section 201 of this Act and for making
3 transfers pursuant to this subsection (d), except that in
4 State fiscal years 2022 and 2023, moneys in the Income Tax
5 Refund Fund shall also be used to pay one-time rebate
6 payments as provided under Sections 208.5 and 212.1.

7 (2) The Director shall order payment of refunds
8 resulting from overpayment of tax liability under Section
9 201 of this Act from the Income Tax Refund Fund only to the
10 extent that amounts collected pursuant to Section 201 of
11 this Act and transfers pursuant to this subsection (d) and
12 item (3) of subsection (c) have been deposited and
13 retained in the Fund.

14 (3) As soon as possible after the end of each fiscal
15 year, the Director shall order transferred and the State
16 Treasurer and State Comptroller shall transfer from the
17 Income Tax Refund Fund to the Personal Property Tax
18 Replacement Fund an amount, certified by the Director to
19 the Comptroller, equal to the excess of the amount
20 collected pursuant to subsections (c) and (d) of Section
21 201 of this Act deposited into the Income Tax Refund Fund
22 during the fiscal year over the amount of refunds
23 resulting from overpayment of tax liability under
24 subsections (c) and (d) of Section 201 of this Act paid
25 from the Income Tax Refund Fund during the fiscal year.

26 (4) As soon as possible after the end of each fiscal

1 year, the Director shall order transferred and the State
2 Treasurer and State Comptroller shall transfer from the
3 Personal Property Tax Replacement Fund to the Income Tax
4 Refund Fund an amount, certified by the Director to the
5 Comptroller, equal to the excess of the amount of refunds
6 resulting from overpayment of tax liability under
7 subsections (c) and (d) of Section 201 of this Act paid
8 from the Income Tax Refund Fund during the fiscal year
9 over the amount collected pursuant to subsections (c) and
10 (d) of Section 201 of this Act deposited into the Income
11 Tax Refund Fund during the fiscal year.

12 (4.5) As soon as possible after the end of fiscal year
13 1999 and of each fiscal year thereafter, the Director
14 shall order transferred and the State Treasurer and State
15 Comptroller shall transfer from the Income Tax Refund Fund
16 to the General Revenue Fund any surplus remaining in the
17 Income Tax Refund Fund as of the end of such fiscal year;
18 excluding for fiscal years 2000, 2001, and 2002 amounts
19 attributable to transfers under item (3) of subsection (c)
20 less refunds resulting from the earned income tax credit,
21 and excluding for fiscal year 2022 amounts attributable to
22 transfers from the General Revenue Fund authorized by
23 Public Act 102-700.

24 (5) This Act shall constitute an irrevocable and
25 continuing appropriation from the Income Tax Refund Fund
26 for the purposes of (i) paying refunds upon the order of

1 the Director in accordance with the provisions of this
2 Section and (ii) paying one-time rebate payments under
3 Sections 208.5 and 212.1.

4 (e) Deposits into the Education Assistance Fund and the
5 Income Tax Surcharge Local Government Distributive Fund. On
6 July 1, 1991, and thereafter, of the amounts collected
7 pursuant to subsections (a) and (b) of Section 201 of this Act,
8 minus deposits into the Income Tax Refund Fund, the Department
9 shall deposit 7.3% into the Education Assistance Fund in the
10 State Treasury. Beginning July 1, 1991, and continuing through
11 January 31, 1993, of the amounts collected pursuant to
12 subsections (a) and (b) of Section 201 of the Illinois Income
13 Tax Act, minus deposits into the Income Tax Refund Fund, the
14 Department shall deposit 3.0% into the Income Tax Surcharge
15 Local Government Distributive Fund in the State Treasury.
16 Beginning February 1, 1993 and continuing through June 30,
17 1993, of the amounts collected pursuant to subsections (a) and
18 (b) of Section 201 of the Illinois Income Tax Act, minus
19 deposits into the Income Tax Refund Fund, the Department shall
20 deposit 4.4% into the Income Tax Surcharge Local Government
21 Distributive Fund in the State Treasury. Beginning July 1,
22 1993, and continuing through June 30, 1994, of the amounts
23 collected under subsections (a) and (b) of Section 201 of this
24 Act, minus deposits into the Income Tax Refund Fund, the
25 Department shall deposit 1.475% into the Income Tax Surcharge
26 Local Government Distributive Fund in the State Treasury.

1 (f) Deposits into the Fund for the Advancement of
2 Education. Beginning February 1, 2015, the Department shall
3 deposit the following portions of the revenue realized from
4 the tax imposed upon individuals, trusts, and estates by
5 subsections (a) and (b) of Section 201 of this Act, minus
6 deposits into the Income Tax Refund Fund, into the Fund for the
7 Advancement of Education:

8 (1) beginning February 1, 2015, and prior to February
9 1, 2025, 1/30; and

10 (2) beginning February 1, 2025, 1/26.

11 If the rate of tax imposed by subsection (a) and (b) of
12 Section 201 is reduced pursuant to Section 201.5 of this Act,
13 the Department shall not make the deposits required by this
14 subsection (f) on or after the effective date of the
15 reduction.

16 (g) Deposits into the Commitment to Human Services Fund.
17 Beginning February 1, 2015, the Department shall deposit the
18 following portions of the revenue realized from the tax
19 imposed upon individuals, trusts, and estates by subsections
20 (a) and (b) of Section 201 of this Act, minus deposits into the
21 Income Tax Refund Fund, into the Commitment to Human Services
22 Fund:

23 (1) beginning February 1, 2015, and prior to February
24 1, 2025, 1/30; and

25 (2) beginning February 1, 2025, 1/26.

26 If the rate of tax imposed by subsection (a) and (b) of

1 Section 201 is reduced pursuant to Section 201.5 of this Act,
2 the Department shall not make the deposits required by this
3 subsection (g) on or after the effective date of the
4 reduction.

5 (h) Deposits into the Tax Compliance and Administration
6 Fund. Beginning on the first day of the first calendar month to
7 occur on or after August 26, 2014 (the effective date of Public
8 Act 98-1098), each month the Department shall pay into the Tax
9 Compliance and Administration Fund, to be used, subject to
10 appropriation, to fund additional auditors and compliance
11 personnel at the Department, an amount equal to 1/12 of 5% of
12 the cash receipts collected during the preceding fiscal year
13 by the Audit Bureau of the Department from the tax imposed by
14 subsections (a), (b), (c), and (d) of Section 201 of this Act,
15 net of deposits into the Income Tax Refund Fund made from those
16 cash receipts.

17 (Source: P.A. 102-16, eff. 6-17-21; 102-558, eff. 8-20-21;
18 102-658, eff. 8-27-21; 102-699, eff. 4-19-22; 102-700, eff.
19 4-19-22; 102-813, eff. 5-13-22; 103-8, eff. 6-7-23; 103-154,
20 eff. 6-30-23; 103-588, eff. 6-5-24.)

21 Section 99. Effective date. This Act takes effect upon
22 becoming law.